

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	2
LOCAL OFFICE RESPONSE	2
FINDINGS AND RECOMMENDATIONS - COMPLIANCE	
Controlled Documents - Central	2-3
Controlled Documents - Mt. Clemens	3
RECOMMENDATIONS FOR IMPROVED INTERNAL CONTROLS	
CIS Status Codes	3-4

INTRODUCTION

The Office of Internal Audit performed an audit of Macomb County FIA for the period October 1, 1997 through December 23, 1998. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Macomb County FIA had 356 full time equated positions (FTE's) at the time of our review. Macomb County FIA provided assistance to an average 23,172 recipients per month during FY 1998, with total assistance payments of \$33,261,884 during that year.

SCOPE

Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Macomb County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Client Processing	CIS
Cash Disbursements	Cash Receipts
General Ledger	Accounts Receivable
Safe & Controlled Documents	IRS Information Security
Medical Transportation	Modified Accrual Balance Sheet
ENP/SER Payments	Phone Usage

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Macomb County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We found a few instances of noncompliance with FIA policies and procedures and weaknesses in internal controls, which are detailed below.

LOCAL OFFICE RESPONSE

The management of Macomb County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated January 13, 1999 that they are in agreement with the report and have implemented corrective action.

FINDINGS AND RECOMMENDATIONS - COMPLIANCE

The following are areas where we found that the Macomb County FIA was not operating in accordance with FIA policies and procedures that are described in manuals or instructional letters.

Controlled Documents - Central

1. Macomb County FIA - Central did not properly control blank documents. They did not prepare the Controlled Document Log (FIA-4070) for Blank Voucher Checks (FIA-1802) and Purchase Orders (FIA-2083), as required by Accounting Manual Item 403. Preparation of the Controlled Document Log and the Monthly Controlled Document Inventory and Reconciliation (FIA-4351) helps to ensure that any loss or misuse of controlled documents would be detected in a timely manner.

WE RECOMMEND that Macomb County FIA - Central prepare the Controlled Document Log for Blank Voucher Checks and Purchase Orders and reconcile it to the physical inventory each month.

Controlled Document Log - Mt. Clemens

2. The Macomb County FIA - Mt. Clemens District did not prepare the Controlled Document Log (FIA-4070) and Monthly Controlled Document Inventory and Reconciliation (FIA-4351) for Official Field Receipts (FIA-3543), as required by Accounting Manual Item 403. Proper control of Field Receipts is necessary to ensure that loss or misuse of the receipts would be detected timely.

WE RECOMMEND that the Macomb County FIA Mt. Clemens District prepare the Controlled Document Log and Monthly Controlled Document Inventory and Reconciliation for Official Field Receipts.

RECOMMENDATIONS FOR IMPROVED INTERNAL CONTROLS

The following are areas where we have identified a control weakness at Macomb County FIA, and we are recommending a change in procedure to reduce the risk associated with the control weakness.

CIS Status Codes

3. The employee who reconciled the Transaction Control Listing (MA-010) at the Macomb County FIA Warren District had FLM status on the Client Information System (CIS). This status code would allow this individual to make changes to client cases with no independent review of the transaction.

WE RECOMMEND that Macomb County FIA Warren District change the MA-010 reconciler to inquiry only status on CIS.